Supplemental Plan
PAO Information Session
August 14, 2007

OMERS

Our session today

1. Supplemental Plan Overview
2. Supplemental Plan Provisions
3. Formula and examples
4. Contribution rates and cost
5. Lifecycle of a Supplemental Plan
6. RCA
7. Timing and how to reach us

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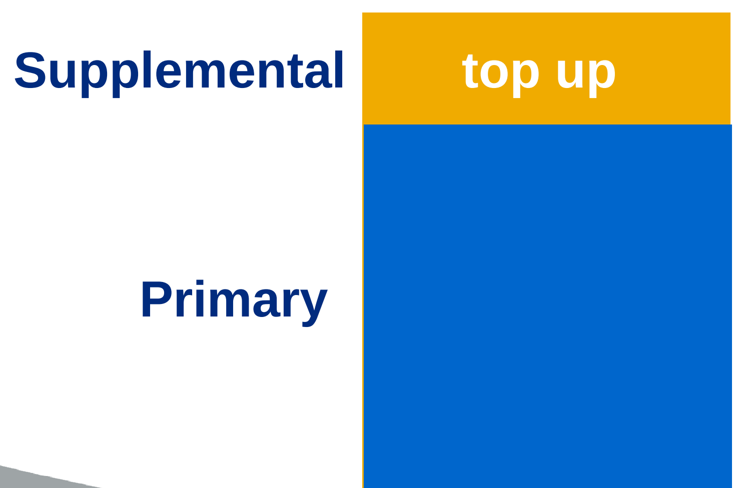
Supplemental Plan Overview

What is the Supplemental Plan?

- Stand-alone RPP which is separate from Primary Plan
- Funded by those who participate in Supplemental Plan
- Enhances or “top ups” the benefits in Primary Plan



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Supplemental Plan Overview

Why/how were Supplemental Plans established?

- Police and fire successfully lobbied the government for enhancements to their pension
- Government introduced Supplemental Plans as part of OMERS Act, 2006
    - OMERS Administration Corporation must develop Supplemental Plan to offer optional benefits for police, firefighters and paramedics by July 1, 2008
    - Sponsors Corporation responsible for future amendments and to establish other Supplemental Plans

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Supplemental Plan Overview

Who is covered by the Supplemental Plan?

- Supplemental Plan available to:
  - Members of the police force – most police officers are NRA 60 and police civilians are NRA 65
  - Firefighters – most firefighters are NRA 60
  - Paramedics – NRA 65
- OMERS has 200-plus employers with police, firefighter and paramedic members
- Represents 40,000 active police, fire fighters and paramedics in the Primary Plan – 17% of OMERS active membership

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Supplemental Plan Overview

Who is covered by the Supplemental Plan? (cont.)

- Supplemental Plan is not automatically provided – membership contingent on local bargaining
  - Employer may provide benefits for a class or classes of employees – employer specifies coverage date but can't be before July 1, 2008
  - Examples of employee classes are: police officers (NRA 60), police civilians (NRA 65), senior officers (NRA 60)
  - Each class can only be provided with 1 provision every 36 months
  - If employer provides coverage - benefits would apply to all members in that class – individual member cannot opt out

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Supplemental Plan Overview

Is the Supplemental Plan framework similar to the Primary Plan?

In most cases same terms and conditions as the Primary Plan. For example:

- Same survivor benefits – but member can name a different beneficiary under the Supplemental Plan
- Same inflation protection
- Disability benefits: includes waiver and pension as in Primary Plan
- 35 year service cap same as in Primary Plan

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Supplemental Plan Provisions

	Primary Plan	**Supplemental Plan**
Accrual Rate	2.0%	2.33%
Pensionable Earnings	"Best-five" (Avg. of best-five consecutive years of contributory earnings)	"Best-three" "Best-four" (Avg. of best-three or best-four consecutive years of contributory earnings)
Early retirement factors age/service For NRA 60 For NRA 65 (police civilians and paramedics)	 85 Factor 90 Factor	(Considered one benefit for Note 2 below purposes) 80 Factor 85 Factor

Notes:
1. 2.33% accrual is not available to police civilians
2. Only one benefit can be provided to a class at a time - additional benefits not more often than every 36 months
3. Supplemental Plan pays top-up (delta) only
4. Early retirement is within 10 years of Normal Retirement Age (NRA)

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Primary Plan Pension formula

OMERS lifetime benefit plus bridge to age 65

2.0%	X	*credited service (years)	X	“best five” earnings

Less OMERS bridge benefit at age 65

0.675 %	X	*credited service (years)	X	“best five” or AYMPE (**AYMPE = $46,420 in examples)

OMERS life time benefit from age 65

* maximum 35 years

**estimated AYMPE

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Supplemental Plan - 2.33% accrual rate

- The "2.33%" benefit is a top-up pension – it pays the difference between the Supplemental Plan rate (2.33%) and the Primary Plan rate (2%) for the period of supplemental service
- The "2.33%" Supplemental Plan benefit is calculated as follows:

2.33%	X	Supplemental Plan credited service (years)*	X	"best five" earnings

Less

2.0%	X	Supplemental Plan credited service (years)*	X	"best five" earnings

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*maximum 35 years

2.33% accrual rate – example calculation

- Jim retires at age 60 (his NRA) – class has 2.33% coverage
- Credited Service = 25 years, including 2 years of 2.33% Supplemental Plan service
- "Best five" earnings = $70,000
- Supplemental Plan: Jim's top-up pension is $462.00

Here's how it is calculated:

2.33%	X	2 years	X	$70,000	=	$3,262.00
Less						
2%	X	2 years	X	$70,000	=	$2,800.00
				Top-up	=	$462.00

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2.33% accrual rate – example calculation

- Now let's look at Jim's total pension:

Primary Plan: 2% x 25 years x $70,000	$35,000.00
Supplemental Plan: top-up pension based on 2 yrs of service	+ $462.00
Jim's total annual pension to age 65	**$35,462.00**
Less the bridge benefit at age 65	$7,833.00
Jim's total annual pension from age 65	**$27,629.00**

Note: Estimated Bridge benefit = $7,833 (.675% x AYMPE $46,420 x 25 yrs)

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2.33% accrual rate – example calculation

- What if Jim purchases all of his Supplemental past service (e.g. 23 years)?
- Supplemental Plan: Jim's top-up pension is $5,775.00

Here's how it is calculated:

2.33%	X	25 years	X	$70,000	=	$40,775.00
Less						
2%	X	25 years	X	$70,000	=	$35,000.00
					=	$5,775.00

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2.33% accrual rate – example calculation

- Now let's look at Jim's total pension:

Primary Plan: 2% x 25 years x $70,000	$35,000.00
Supplemental Plan: top-up pension based on 25 yrs of service	+ $5,775.00
Jim's total annual pension to age 65	**$40,775.00**
Less the bridge benefit at age 65	$7,833.00
Jim's total pension annual from age 65	**$32,942.00**

Note: Estimated Bridge benefit = $7,833 (.675% x AYMPE $46,420 x 25 yrs)

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“Best three” earnings - formula

- Replaces the “best five” earnings used to calculate the pension for the period of supplemental service and acts as a top-up
- The “best three” Supplemental Plan benefit is calculated as follows:

2%	X	Supplemental Plan credited service (years)*	X	**“best three” earnings**

Less

2%	X	Supplemental Plan credited service (years)*	X	**“best five” earnings**

*maximum 35 years

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"Best three" earnings - formula

- Example of "best five" versus "best three" earnings
- Jim's salary increases each year on January 1

His "best five" earnings = $70,000 (2007 – 2011)			His "best three" earnings = $75,000 (2009 – 2011)
	2007		
	2008		
	2009	2009	
	2010	2010	
	2011	2011	
	$70,000	$75,000	

"Best three" earnings - example calculation

- Jim retires at age 60 (his NRA). Class has "best 3" coverage.
- Credited Service = 25 years, including 2 years of "best three" supplemental service
- "best five" = $70,000; "best three" = $75,000
- Supplemental Plan: Jim's top-up pension is $200.00

Here's how it is calculated:

2%	X	2 years	X	$75,000	=	$3,000.00
Less						
2%	X	2 years	X	$70,000	=	$2,800.00
				top-up	=	$200.00

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"Best three" earnings - example calculation

- Now let's look at Jim's total pension:

Primary Plan: 2% x 25 years x $70,000	$35,000.00
Supplemental Plan: top-up pension (based on 2 yrs of service)	+ $200.00
Jim's total annual pension to age 65	**$35,200.00**
Less the bridge benefit at age 65	$7,833.00
Jim's total annual pension from age 65	**$27,367.00**

Note: Estimated Bridge benefit = $7,833 (.675% x AYMPE $46,420 x 25 yrs)

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"Best four" earnings - formula

- Example of "best five" versus "best four" earnings
- Jim's salary increases each year on January 1.
- Same principles apply as in "best three" examples

His "best five" earnings = $70,000 (2007 – 2011)	2007 2008 2009 2010 2011 $70,000	2008 2009 2010 2011 $73,000	His "best four" earnings = $73,000 (2008 – 2011)

"Best four" earnings - formula

- Let's compare the best three, best four and best five earnings for Jim

	2007			"best four"
	2008	2008		= $73,000
"best five" = $70,000	2009	2009	2009	
	2010	2010	2010	"best three"
	2011	2011	2011	= $75,000

80/85 Factor – Early retirement

- Top-up benefit *for Supplemental Plan service period* is difference between the pension calculated using the Primary Plan Factors and the pension calculated using the Supplemental Plan Factors
    - NRA 60 - Supplemental Plan uses 80 Factor (i.e., member's age + service = at least 80) rather than the Primary Plan 85 Factor
    - NRA 65 - Supplemental Plan uses the 85 Factor (i.e., member's age + service = at least 85) rather than the Primary Plan 90 Factor
- This benefit is only available if the member elects an immediate early retirement pension.

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80 Factor Early Retirement example

- Fred is age 57 and has 25 years of Primary Plan credited service which includes 2 years of Supplemental Plan credited service

- Fred's age + service: age 57 + 25 years of service = 82 points which is 3 years away from the Primary Plan's Factor 85. A 15% reduction will be applied to Fred's Primary Plan pension i.e. he receives 85% of his pension.

- Fred's 82 points means that he has met the "80 Factor" and therefore there is no reduction to the pension associated with his 2 years of Supplemental Plan service.

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80 Factor Early Retirement example

Supplemental Plan top-up calculation

(2% x 2 years x $70,000) no reduction	=	$2,800.00
(2% x 2 years x $70,000) x 85%	=	$2,380.00
Supplemental Plan top-up pension	=	$420.00

Total Pension to age 65

(2% x 25 years x $70,000) x 85%	=	$29,750.00
Plus Supplemental Plan top-up pension	=	$ 420.00
Total Pension to age 65 including top-up	=	*$30,170.00

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* Pension will be reduced by bridge benefit at age 65

80 Factor and 85 Factor

- There may be no top-up "80/85 Factor" pension – for example:
  - member defers pension and subsequently elects an early retirement pension
  - member is already entitled to unreduced early retirement under Primary Plan – e.g. member has 30 years of service which results in an unreduced pension under the Primary Plan
  - the member retires on normal retirement date
- If no benefit payable, minimum value guarantee would apply at member event date

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Who pays the costs?

Benefits funded by employers and members participating in Supplemental Plan

Future service - from the agreement effective date forward

- Contribution rate x contributory earnings
- Employer pays matching share
- If employer provides coverage for the class individual members within class cannot opt out

Past Service – prior to the agreement effective date

- Member pays present value cost
- Member's choice whether or not to purchase

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Who pays the costs?

Primary Plan cannot subsidize the Supplemental Plan

- Actuaries expect increased incidence of early retirement for the 2.33% coverage – this impacts the Primary Plan
  - Additional contribution must be made to the Primary Plan to cover expected additional liability associated with increased early retirements (rebound costs)
  - Only applies where employer provides the 2.33% coverage – impacts future service contributions only

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Future Service contribution rates

- Member Supplemental Plan Future Service Contribution rates shown below. Employer pays a matching share.

Supp. Plan Benefit Provision	NRA 60			NRA 65		
	Supp. Plan Costs	Primary Plan Rebound Costs*	Total Costs	Supp. Plan Costs	Primary Plan Rebound Costs*	Total Costs
2.33% Accrual	2.75%	0.2%	2.95%	2.35%	0.3%	2.65%
Factor 80/85	.95%	None	.95%	.75%	Negligible	.75%
Best three	1.1%	None	1.1%	.9%	None	.9%
Best four	.85%	None	.85%	.75%	None	.75%

* Rebound only required if member has the 2.33% Supplemental Plan benefit

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Contributions for 1 year: 2.33% Benefit

- Example of annual future service contributions – NRA 60

	Primary Plan	Primary Plan Rebound	Supplemental Plan
Earnings	$70,000	$70,000	$70,000
Contribution Rate	7.9%/10.7%	0.2%	2.75%
Member Conts.	$6,151	$140	$1,925

- Primary Plan has higher rate above YMPE (e.g., 2010 estimate - $47,800) – Supplemental Plan same rate below/above YMPE
- Member contributions = $6,151 + $140 + $1,925 = $8,216
- Matched by employer

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Past Service

- Member always retains choice to purchase past service
- Employer contributions not accepted by OMERS for purchase of past service
- Past service may be paid by lump sum or amortized for up to three years (members can amortize over 12, 24 or 36 months)
  - Service is credited as payments received (lump sum or monthly)
  - Service can be purchased in pieces
  - If at end of amortization period (e.g., after 3 years) there is still service to purchase, new cost established and new amortization schedule can be set up

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Contribution rates and cost

- Contribution rates represent the cost of the benefit and cost to administer the Supplemental Plan (no cross subsidization)
- Rates may change in future depending on factors including total membership in Supplemental Plan
- Costings for class of members, for the purpose of bargaining, will be available July 1, 2008
- Request for costings must come through the employer as the employer has the class and earnings information needed to do the costing

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Supplemental Plan benefit “life cycle”

1. Establishing a Supplemental Plan with OMERS
2. Enrolling members & past service costs
3. Remitting contributions – member / employer
4. Employer reporting & member statements
5. Leave periods & disability – after coverage effective date
6. End of coverage

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Supplemental Plan benefit "life cycle"

- Bargaining process
- Employer provides data if they want OMERS to prepare future service and past service cost estimates
- Supplemental Plan agreement is signed by the employer
- Agreement indicates effective date of the coverage for the provision

1 Establishing a Supplemental Plan with OMERS

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Supplemental Plan benefit "life cycle"

- Employer provides data needed to set up the Supplemental Plan coverage
- Member receives "Welcome package" from employer
- Package includes member past service purchase costs and payment options

2 Enrolling members & past service costs

Supplemental Plan benefit "life cycle"

- Employer deducts future service contributions from member's pay
- Supplemental Plan contributions remitted to OMERS – kept separate from the Primary Plan contributions

3 Remitting contributions – member / employer

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Supplemental Plan benefit "life cycle"

- Each year, members will receive an integrated Pension Report
- Other forms and reports also integrated e.g., Pension estimate

4	Employer reporting & member statements

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Supplemental Plan benefit "life cycle"

5	Leave periods & disability – after coverage effective date

- Purchasing leave periods - Primary and Supplemental Plans will be integrated
- Members have option to buy service
- Must buy both Primary and Supplemental Plan service together
- Cost sharing (member/employer) rules same as under Primary Plan for leave periods and service interruptions
- Member on waiver under Primary Plan, also on waiver under Supplemental Plan

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Supplemental Plan benefit “life cycle”

6	End of coverage

- If employment ends (e.g. termination/retirement) separate options provided on integrated Benefit Application Forms
- Member will receive separate payments from each plan
- Member may name separate beneficiary for Supplemental Plan
- Member will receive separate tax slips

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Supplemental Plan benefit "life cycle"

6	End of coverage

- If Supplemental Plan coverage stops but employment continues - e.g. promotion from constable to senior officer and senior officer is different class
  - If new class has no Supplemental Plan coverage: pension calculated at point coverage ends - member provided with Supplemental Plan benefit options
- If member moves to new class that has Supplemental coverage
  - Coverage merged if same provision
  - If new class has different provision – pension calculated at point previous coverage ended – pension remains in Supplemental Plan until member no longer has coverage

RCA

ITA imposes maximum on pension that can be paid from RPP – maximum value changes annually

- RCA is a vehicle for paying pension over limit
- Primary Plan has RCA
- RCA only applicable to service where 50/50 cost sharing
- Past service not included in RCA as member pays full cost
- RCA not viable for Supplemental Plan

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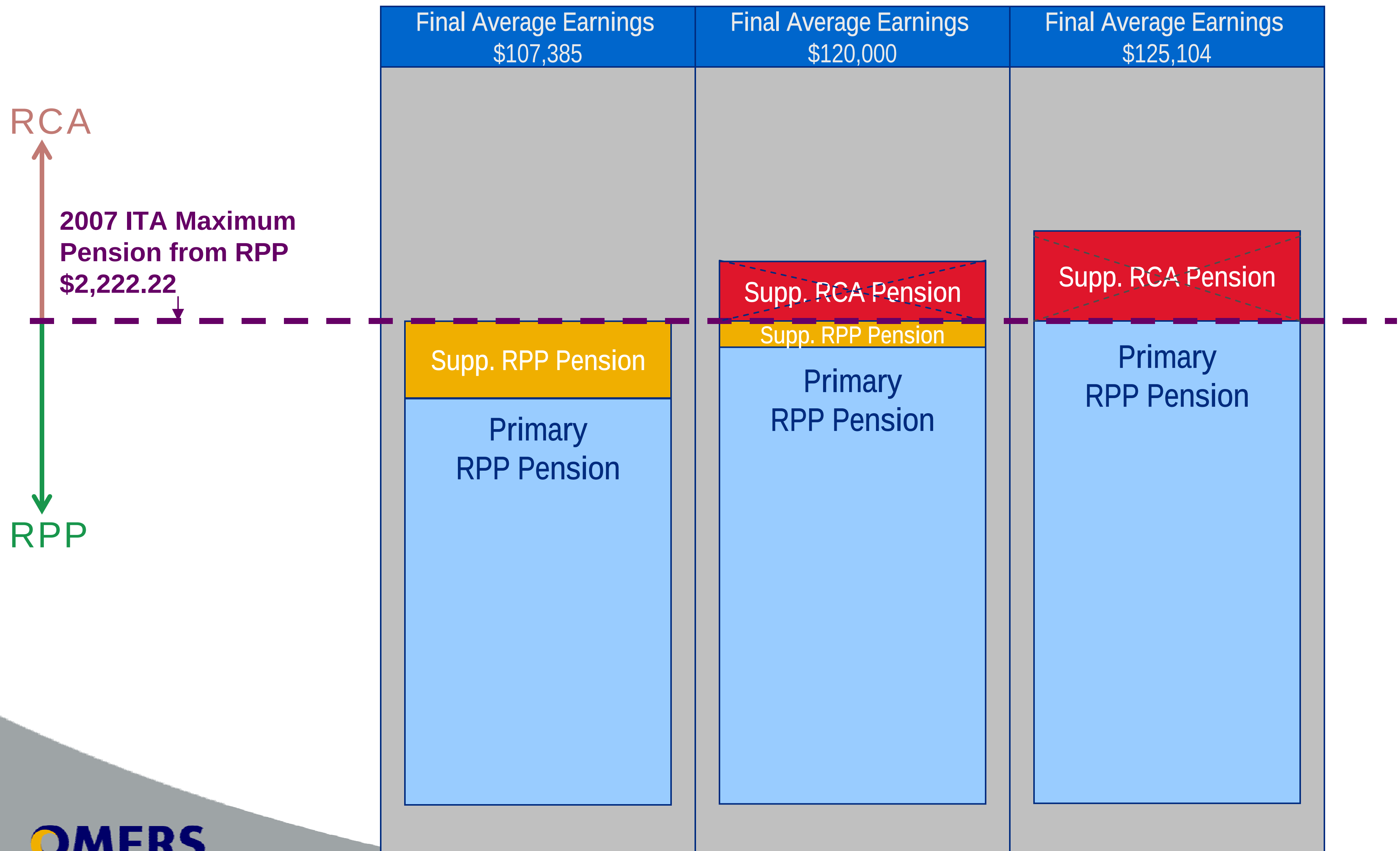
2.33 Provision – ITA limit implications for Supplemental Pension

(for 1 year of service and using 2007 ITA Maximum RPP pension figures – the ITA maximum pension figures change annually)



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RCA (cont'd)

Why is RCA not viable for Supplemental Plan?

- Initial membership anticipated to be small creating greater volatility for costs and potential funding pressures
- Number of affected members relatively small (i.e. likely less than 500) - as result, stand alone Supplemental Plan RCA should be fully funded
- Costs prohibitively high due to cost of benefits as well as administration loading cost carried by small number of members. Unlikely to appeal to members earning in excess of ITA limits
  - Example using salary of $125,104 - the future service annual contribution is 30 times more than annual pension

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Timing

- On target for completion of implementation project by July 1, 2008
- Costings to support bargaining process will be available beginning July 2008
- External Communications to begin in the fall of 2007

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How to reach us

- Visit Members section at www.omers.com
- Special information on Supplemental Plans will be available on our website by September 30th, 2007
- Contact us: client@omers.com or toll-free 1-800-387-0813

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Questions & Thank you

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